

O 090836Z FEB 09  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC IMMEDIATE 1422  
INFO ASEAN REGIONAL FORUM COLLECTIVE PRIORITY  
MILLENNIUM CHALLENGE CORP PRIORITY 0114  
NSC WASHDC  
DEPT OF JUSTICE WASHDC  
DEPT OF TREASURY WASHDC

C O N F I D E N T I A L JAKARTA 000219

DEPT FOR EAP, EAP/MTS, EAP/MLS, INL, EEB/IFD/OMA  
DOJ/OPDAT FOR ALEXANDRE/BERMAN/JOHNSON; MCC FOR LONGI  
NSC FOR E. PHU

E.O. 12958: DECL: 02/09/2019

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SUBJECT: GOI PRESSES CORRUPTION CASE INVOLVING PRESIDENT'S  
RELATIVE

REF: 08 JAKARTA 2177 AND PREVIOUS

Classified By: Pol/C Joseph L. Novak, reasons 1.4(b+d).

11. (C) SUMMARY: The Indonesian government has formally charged Aulia Pohon, father-in-law of President Yudhoyono's eldest son, and three other former central bank officials with corruption. The former central bank officials were indicted for their roles in the alleged misuse of approximately \$8.8 million worth of central bank funds in 12003. The accused face a maximum sentence of life in prison. The President--further confirming his anti-corruption credentials--has underscored that he will not interfere in the prosecution in any way. END SUMMARY.

#### FORMAL INDICTMENT

12. (SBU) The GOI is moving forward with a key corruption case. On January 30, Aulia Pohon and three other former Bank Indonesia (BI) officials were charged with abuse of power and causing losses to the state by Corruption Eradication Commission (KPK) prosecutors in Jakarta's anti-corruption court. (Note: Pohon is the father-in-law of President Yudhoyono's son.) The former BI officials allegedly helped oversee the unlawful disbursement of Indonesian Banking Development Foundation (YPPI) funds to 52 members of the Indonesian parliament (DPR) and to five former central bank officials in 2003 (see reftels). They face a maximum sentence of life in prison if convicted.

#### ALLEGED MISUSE OF FUNDS

13. (SBU) The case is complex and far-reaching. The funds were allegedly disbursed to members of parliament's financial commission in order to influence legislation affecting BI and to resolve a dispute with the Finance Ministry over the resolution of the BI liquidity support scandal, commonly known as "BLBI." At the height of the 1997-98 Asian financial crisis, emergency liquidity credits were extended by BI to commercial banks. Of the \$16 billion in BLBI loans, approximately a third were not repaid. Funds were also distributed illegally to the BI governor and three deputies to assist them with their legal defense against corruption charges. (Note: Former BI Governor Burhanuddin Abdullah was convicted on corruption charges relating to the same case last year.)

#### DEFENSE SAYS NO LOSS TO THE STATE

14. (SBU) On February 3, the defense argued that there was no loss to the state, a prerequisite for a successful prosecution. Lawyers maintain that the money was not given for personal enrichment of DPR members, but rather to "disseminate information" regarding the functioning of the central bank. Lawyers argued that since YPPI's mandate was to educate the public on the banking industry, the disbursement of the \$8.8 million in funds was consistent with

educational activities of the type captured under the mandate.

#### PRESIDENT REITERATES HIS IMPARTIALITY

¶5. (C) President Yudhoyono, who has made anti-corruption efforts a key issue for his administration, has reiterated that he will not interfere in the case and stated that no favoritism should be shown toward Pohon. According to polls, the President's overall stance against corruption and his hands off policy in regard to this case are key reasons why his poll numbers are so healthy as he approaches the presidential election in July.

¶6. (C) Family matters a great deal in Indonesia and the notion that a public official would not intervene to support a relative is admired by many Indonesians who are used to former president Suharto's favoritism toward rapacious family members, for example. In any case, the KPK has a well-earned reputation for impartiality and has stated publicly that no one is off-limits to investigation.

HUME